

SUBCOMMITTEE NO. 2

Agenda

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Agenda – Part III

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Resources—Environmental Protection—Energy—Utilities

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3910 Integrated Waste Management Board

1. LNG Transportation Fuel Demonstration Project

Background. Recent advances in technology are increasing the potential for landfill gas to be used as a fuel source. By removing volatile organic compounds, landfill gas can be reduced to 100 percent methane and carbon dioxide and may be used as common liquefied natural gas in electrical generation or as transportation fuel.

Previous Subcommittee Direction. At the April 3 meeting of the Subcommittee, staff was directed to identify funding sources for a demonstration project that converts methane gas from landfills to LNG.

Staff Comments. Staff finds that a large amount of landfill gas is flared into the environment and is not used. Staff finds that this is a missed opportunity and if landfill gas can be converted successfully to usable LNG, this could contribute significantly to domestic natural gas supplies, thereby reducing our dependence on imported oil.

Staff Recommendation. Staff recommends that the Subcommittee adopt the following trailer bill language to give the Waste Board authority to fund an LNG transportation pilot project:

Provision X

Of this appropriation, an amount not to exceed \$1 million may be awarded in the form of a grant for demonstration projects that convert landfill gas to liquefied natural gas for use as a clean transportation fuel, provided that the demonstration project meets all the following conditions:

- (1) The project shall produce at least 10,000 gallons of LNG per day.*
- (2) The project shall utilize landfill gas that is currently flared.*
- (3) The project shall have obtained all applicable land use permits before award of the grant.*

The grant amount shall not exceed 15 percent of the total project cost.

2. Manufacturer Take-Back Programs

Background. Manufacturer "take back" programs are becoming increasingly important in achieving global waste reduction objectives. These programs are being developed in the European Union and elsewhere, and require manufacturers to extend their responsibility for products beyond manufacturing and sale, and to extend their responsibility to the re-use and recycling of products for the entire life-cycle of a product.

Previous Subcommittee Direction. At the April 3 meeting of the Subcommittee, staff was directed to work with the department, LAO and DOF to develop supplemental report language requiring the board to prepare a report on the feasibility of requiring most or all manufacturers of

goods purchased or procured by the state to be subject to extended producer responsibility, including recommending a date by which this could be implemented.

Staff Recommendation. Staff recommends that the Subcommittee approve the following supplemental report language:

The Board, in conjunction with the Department of General Services, shall evaluate the feasibility of implementing a manufacturer responsibility or “take-back” program for those goods purchased by the California State Government. This study should focus on those materials that are, or could be, most conducive to reuse or recycling by the manufacturer together with materials that make up a substantial portion of the State government waste stream. Further, it should assess the effectiveness of current take back provisions in state contracts. This evaluation shall result in a report to the legislature by January 1, 2008 and shall include an overview of similar activities that are occurring across the country or around the world that may serve as a model for California in the future.

3790 Department of Parks and Recreation

1. Parks Reappropriations

Background. Staff has identified several appropriations that will expire at the end of the budget year. Without reappropriation, the department will not be able to spend these funds on the projects as intended by the Legislature.

Staff Recommendation. Staff recommends that the Subcommittee approve the following budget bill language:

3790-493 Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate the encumbrance of the following citation, subject to the following limitation, is extended until June 30, 2007.

0262—Habitat Conservation Fund

(1). Item 3790-101-0262 (1) Budget Act of 1999 (Ch. 50, Stats. Of 1999), 80.25.001—Local Grants—Habitat Conservation Fund Program; provided that this reappropriation is limited to the 325,000 grant to the Mid Peninsula Regional Open Space District.

0005-Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Fund

(1) Item 3790-102-0005(a)(5)(i), Budget Act of 2000 (Ch. 52, Stats. 2000), City of Huntington Park: Regional Community Youth Center, as re-

appropriated by Item 3790-492(3)(a)(5)(i), Budget Act of 2005 (Ch. 38/39, Stats. 2005), City of Huntington Park: Regional Youth Center

(2) Item 3790-102-0005(a)(5)(qx), Budget Act of 2000 (Ch. 52, Stats. 2000), City of Huntington Park: Bonelli Regional Youth Center as re-appropriated by Item 3790-492(3)(5)(qx), Budget Act of 2005 (Ch. 38/39, Stats. 2005), City of Huntington Park: Bonelli Regional Youth Center.

2. Operations and Maintenance

Background. The Department of Parks and Recreation has suffered General Fund reductions over the past decade. This has increased their reliance on fees to support their activities. Unfortunately, user fees are extremely volatile from one year to the next depending on the weather and many other factors. In order to address this volatility the department has had to reduce ongoing staffing and routine maintenance activities at many state park properties.

Furthermore, recent news reports and a 2005 audit by the State Auditor indicate that more money is needed to upgrade outdated equipment and facilities used by lifeguards at state beaches.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve \$10 million in General Fund monies to support 20 new positions and to support the operations and maintenance of existing and new park properties.
- Approve \$500,000 in General Fund monies to support staff, capital outlay and equipment to augment the number of existing lifeguards and upgrade outdated lifeguard facilities.

8660 California Public Utilities Commission

1. Water Division

Background. Recent legislation requires triennial general rate case reviews for investor owned water utilities. Many of these utilities serve low-income under-served communities. Staff finds that many of these utilities do not have sophisticated planning and tracking systems and require more time by staff at the commission to understand and decipher.

Staff Recommendation. Staff recommends that the Subcommittee approve five new positions to augment the commission's water division.

2. California Solar Initiative—Performance Based Incentives

Background. For decades, California has been a leader in the promotion of solar energy technology. During that time, there has been constant tension between the equally laudable goals of ensuring the development and sustainability of a California solar energy market, and

protecting ratepayers from paying large and ongoing subsidies to an industry whose costs will need to be reduced as solar technology evolves.

Last year, SB 1 (Murray), which established the California Solar Initiative (CSI), was introduced and passed the Senate. The measure was held in the Assembly after much discussion about its provisions. In the meantime, the CPUC administratively adopted a decision setting up the CSI. However, several key features were omitted from the CPUC's decision and from the pending legislation.

Issues that were not addressed include: how much ratepayers should pay over time in subsidies for solar power, and whether there should be a set of standards to ensure that solar equipment manufacturers lower their costs and commit to manufacture equipment more efficiently.

Neither the commission nor the legislation spell out in detail so-called "performance-based incentives (PBI)" to ensure that larger solar systems that are installed actually produce the electricity their manufacturers claim they will produce as well as use declining amounts of ratepayer funds over time.

Staff Recommendation. Staff recommends that the subcommittee adopt trailer bill language to require the CPUC, not later than January 1, 2007, to ensure that the payment of CSI incentives for larger commercial solar systems (> 100 Kw) is based on actual electrical output, and that the commission be required to report to the Senate and Assembly Budget Committees on its progress in implementing these requirements.

3560 State Lands Commission

1. Tidelands Oil Revenues

Background. Over the last several years, the Governor's budget has proposed to sweep all of the tidelands oil revenues into the General Fund instead of allocating these funds to the resource priorities set in statute. Public Resources Code §6217 requires that tidelands oil revenues be allocated in the following order:

- Revenues necessary to fund SLC expenditures.
- \$2 million to the California Housing Trust Fund.
- \$8 million to the Department of Fish and Game (DFG) for salmon and steelhead restoration.
- \$2.2 million to DFG for marine life management.
- \$10 million to the Department of Parks and Recreation for deferred maintenance expenses.
- Remaining funds to be deposited in the Natural Resources Infrastructure Fund for preserving and protecting the natural and recreational resources of the state.

Public Resources Code §6217 becomes inoperative July 1, 2006 unless a statute is enacted, which becomes effective on or before January 1, 2007.

Staff Recommendation. Staff recommends that the Subcommittee adopt trailer bill language to allocate tidelands oil revenues, starting in 2007-08 with a sunset date of June 30, 2009, to the following priorities:

- \$10 million to the Salmon and Steelhead Restoration Account;
- \$5 million, for the next ten years, for the Coastal Wetlands Account;
- \$10 million to the Marine Life and Marine Reserve Management Account;
- \$10 million to non-game fish and wildlife program Account;
- \$10 million to the State Parks System Deferred Maintenance Account; and
- \$5 million to the Wetlands and Riparian Habitat Conservation Account.

3760 State Coastal Conservancy

1. Technical Reappropriations – Bond Funds

Background. The State Coastal Conservancy has indicated that they will not be able to expend all of the bond monies that they were allocated in the 2003 Budget Act before the end of the current fiscal year. In order for the conservancy to expend these funds in the budget year, the conservancy is requesting that the funds be reappropriated.

The Conservancy has identified the following funds as needing reappropriation:

- **Proposition 40** bond funds allocated to the conservancy in the bond for public access, urban waterfront restoration, watershed and other habitat restoration and agricultural preservation. The Conservancy estimates that there will be over \$5 million remaining for expenditure in the budget year.
- **Proposition 50** bond funds for watershed restoration projects. The conservancy estimates that there will be about \$1.5 million remaining for expenditure in the budget year.

Staff Recommendation. Staff recommends that the subcommittee approve budget bill language to reappropriate Proposition 40 and Proposition 50 bond funds that were allocated to the Conservancy in the 2003 Budget Act.